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ANNUAL REPORT

1999

Waterfront Development Corporation Limited

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Waterfront Development Corporation Limited

Message from the Corporation for 1998-99

Another Year of Achievement and Advancement Toward Our Vision to Create a Vibrant Living and Working Harbourfront

The most significant developments in fiscal 1999 was the addition of the Manulife, DFO and RCMP properties and the initiation of a process of public consultation leading to a major plan review for the development of the Halifax waterfront. These acquisitions and continued development of other waterfront infrastructure required an investment of $6,700,000, thereby increasing our investment in the waterfront over the last two years to $11,100,000.

The program activities over this period are highlighted by the following:

1. Property acquisition, management and development:

- WDCL acquired the Federal Fisheries Lab property and completed demolishing the older and larger structures on the south side of this property as well as the smaller RCMP garage located on the north side. We began a major expansion to the Cable Wharf parking facility and a new parking and events area now known as "Queen's Landing.

- bioScience - the remaining lab building was leased on a special arrangement to another Provincial Crown Corporation, Innovacorp. This provides a major knowledge based industry with state of the art bioscience firms producing products and services for the world bioscience marketplace.

- An agreement was reached with Nova Scotia Power Inc. to jointly redevelop the wharf on their property linking to a new wharf / boardwalk across the former Cunard lands. The total cost of this public wharf / boardwalk, over $2 million, will complete the last important step in our multi-year plan to design and build a public boardwalk / wharf system from the Casino site on the north to the Pier 21 and Cruise Ship facility on the south for a total boardwalk length of 3.83 kilometers.

- Additional tour boats and seasonal vendors have been established including a seasonal business on the lot east of Nova Scotian Crystal. These will provide new revenue and added interest to the waterfront.

- A joint proposal (WDCL and HRM) call was made for adjoining residential lands in Dartmouth, closing expected to be completed in fiscal year 1999-2000.

- Public Facilities - provision of public washrooms has continued to be a priority on the needs list. WDCL, as part of our partnership agreement with HRM committed to finance the reconstruction of the Ferry Terminal Public Washrooms for completion in early summer 1999.

2. Promotions:

During 1998-99 WDCL hosted a series of festivals and events and one special tall ship project, the

visit of the Captain Cook replica "HM Bark Endeavour" from Australia. This museum replica was hosted for over a two week period in October 1998 including organized school tours plus a major involvement by local volunteer animators. In addition, WDCL assisted in the advance planning and hosting for the HRM 250th anniversary celebrations plus the preparations for the Tall Ships 2000 event which will be the largest single public event in the history of Halifax.

3. Significant planning activities were undertaken including:

- A major plan review for the Halifax waterfront in partnership with HRM and largely financed by WDCL including the engagement of consultants and a process of public consultation leading to project development calls.

- A plan for Dartmouth Cove will be completed which will allow the Corporation to proceed with a call for proposals for redevelopment of properties on Maitland and Canal Streets.

A strategic planning session of the Board and staff resulted in a recommitment to our five year development plan including additional resources for marketing the waterfront venues and organizing additional events.

4. Our Financial Results

The completion of our land acquisition program resulted in our assets growing from $22,507,525 to $29,596,844 during the year. Our operating income (before corporate expenses) of over $2.1 million grew by 75.3 percent over the previous year, primarily due to expected increases in parking and land-lease revenues and grant recoveries from the Federal-Provincial Economic Diversification Agreement. Net earnings; however, of $751,787 declined by 10.4 percent from 1998 results of $838,970, due to significant increases in interest expense from loans to finance the major land acquisition program over the last two years.

Budget restrictions implemented by our Shareholder forced the suspension of the Provincial contribution which has in the past reduced our interest expense. In 1998-99 the interest subsidy was not paid by the Department of Economic Development and Tourism; however, grants were received from the Federal-Provincial Economic Diversification Agreement. These were applied to overhead recovery and contributions to non-owned infrastructure including the construction of a public wharf / boardwalk area adjacent to the expanded Historic Properties Food Court.

Outlook for 1999-2000

The Corporation is committed to best use of the development sites. A high priority next year is to continue with our planning and public consultation review process that will be a major factor in answering the overall question of deciding on what is the best use for these lands as defined by our mandate. The Corporation's strategy is to continue to be self reliant financially. Our current five year business plan projects over 80 percent of our annual requirements are financed through non government revenue. In 1999-2000 over $3 million is projected for capital improvements focused on expanding and completing the wharf / boardwalk system.

The most significant project, Bishop's Landing, including over 248 apartment rental units and public park areas. This project was delayed due to appeals which the Supreme Court has now dismissed. WDCL commitment includes the construction of the new public plaza and adjacent park areas at a cost to the Corporation of over $350,000

Annette Marshall, Chair

Fred Were, President

Chartered Accountants
Canadian Member Firm of
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Waterfront Development Corporation Limited
Financial Statements

March 31, 1999

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Management Statement on Financial Reporting

To the Shareholder of
Waterfront Development Corporation Limited

Management has a responsibility for preparing the accompanying financial statements and ensuring that all information in the annual report is consistent with the statements.

Ultimate responsibility for the financial statements rests with the Board of Directors. An Audit Committee of non-management Directors is appointed by the Board to review the financial statements in detail with management and to report to the Directors prior to their approval of the financial statements for publication. The Directors have established standards of conduct for employees to prevent conflicts of interest and unauthorized disclosure of confidential information.

The shareholder's auditors review the financial statements in detail and meet separately with both the Audit Committee and management to review their findings. Grant Thornton, Chartered Accountants report directly to the shareholder.

Fred Were
President and Chief Executive Officer

Annette Marshall
Chair
Board of Directors

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Auditors' Report

To the Shareholder of
Waterfront Development Corporation Limited

We have audited the balance sheet of Waterfront Development Corporation Limited as at March 31, 1999 and the statements of earnings and deficit and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1999, and the results of its operations and cash flows for the year ended in accordance with generally accepted accounting principles.

Halifax, Nova Scotia
May 6, 1999

Grant Thornton
Chartered Accountants

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Waterfront Development Corporation Limited
Statements of Earnings and Deficit

Year Ended March 31	1999	1998
Revenue		
Rents	$ 2,438,178	$ 1,854,661
Recoveries	3,430	4,574
Interest income	12,848	11,592
Other income	31,680	5,392
Grant revenue		
Overhead recovery	162,720	
Non-owned infrastructure	100,000	
	2,748,856	1,876,219
Property expenses		
Property taxes	35,046	83,158
Operating	320,657	336,586
Depreciation and amortization	229,703	222,490
	585,406	642,234
Income before other items	2,163,450	1,233,985
Corporate expenses		
Directors fees and expenses	21,947	24,727
Doubtful accounts	2,442	44
Office operations	46,737	37,943
Professional fees		
Audit	9,000	7,700
Consultants	49,749	23,229
Legal	47,566	44,493
Salaries and benefits	317,846	272,604
Waterfront promotions and public relations	23,076	30,168
	518,363	440,908
Loan interest		
Expense	715,072	236,218
Contributions from the Province of Nova Scotia		(336,000)
	715,072	(99,782)
Depreciation on facilities for public access	78,228	73,889
Contribution to non-owned infrastructure	100,000	
	1,411,663	415,015
Net earnings from operations	751,787	818,970
Gain on sale of property		20,000
		20,000
Net earnings	751,787	838,970
Transfer to General Development Fund (Note 8)	(740,000)	(830,000)
Transfer to Deficit	11,787	8,970
Deficit, beginning of year	(2,498,439)	(2,507,409)
Deficit, end of year	$ (2,486,652)	$ (2,498,439)

See accompanying notes to the financial statements.

Waterfront Development Corporation Limited
Balance Sheet

March 31	1999	1998
Assets		
Receivables - trade	$ 122,080	$ 61,233
Notes receivable (Note 3)	176,731	181,140
Grants receivable (Note 4)	868,768	
Prepaids		19,369
Real estate and development projects (Note 5)	28,415,660	22,011,271
Deferred pension cost	13,605	14,512
Deposits		220,000
	$ 29,596,844	$ 22,507,525
Liabilities		
Bank indebtedness (Note 6)	$ 1,091,117	$ 408,670
Payables and accruals	539,550	2,484,465
Loan payable (Note 7)	13,600,000	6,000,000
	15,230,667	8,893,135
Shareholder's Equity		
Capital stock (Note 8)	3	3
General Development Fund (Note 9)	3,105,000	2,365,000
Contributed surplus	13,747,826	13,747,826
Deficit	(2,486,652)	(2,498,439)
	14,366,177	13,614,390
	$ 29,596,844	$ 22,507,525

Commitments (Note 10)
Contingency (Note 11)
Uncertainty due to the Year 2000 issue (Note 15)

On behalf of the Board

Director Director

See accompanying notes to the financial statements.

Waterfront Development Corporation Limited
Statement of Cash Flows

Year Ended March 31	1999	1998
Cash derived from (applied to)		
Operating		
Net earnings	$ 751,787	$ 838,970
Depreciation and amortization	307,931	296,379
Gain on sale of property		(20,000)
	1,059,718	1,115,349
Change in non-cash operating working capital (Note 12)	(28,206)	176,226
	1,031,512	1,291,575
Financing		
Decrease in notes receivable, net	4,409	23,819
Increase in capital grants receivable	(706,048)	
Increase in loan payable	7,600,000	100,000
Increase (decrease) in payable for real estate purchases	(1,900,000)	1,900,000
	4,998,361	2,023,819
Investing		
Purchase of		
Equipment	(11,331)	(6,678)
Real estate and construction projects	(6,700,989)	(4,363,314)
Proceeds from sale of property		629,100
	(6,712,320)	(3,740,892)
Net decrease in cash and cash equivalents	(682,447)	(425,498)
Bank indebtedness, net of cash and cash equivalents Beginning of year	(408,670)	16,828
End of year	$ (1,091,117)	$ (408,670)

See accompanying notes to the financial statements.

1. Nature of operations

The Corporation was declared a Provincial Crown Corporation by order of His Honour the Lieutenant Governor in Council No. 76-373 dated March 30, 1976.

The Corporation's mission is the stewardship, long term development and revitalization of the Halifax and Dartmouth waterfronts, including the encouragement of promotional activity to attract public attention and use of these areas.

2. Summary of significant accounting policies

Capitalization
All expenditures directly related to acquisition, renovation and development are included in the cost of real estate.

Government assistance
Government assistance for capital projects are accounted for as a reduction in the capital cost of the applicable project. Government assistance related to the cost recovery of overhead costs are accounted for as grant revenue.

Income taxes
As a Provincial Crown Corporation, the Corporation is exempt from income taxes under the provisions of The Income Tax Act.

Depreciation

Building and equipment
Assets are depreciated on a straight line basis over their useful life, but not greater than 50 years, at rates between 2% and 33.3% per annum.

Long-term lease
The cost of the lease referred to in Note 5 is amortized over its term.

Development costs
Costs for projects constructed on Corporation lands are capitalized and depreciated at 2% per annum.

3. Notes receivable

	1999	1998
Note receivable bearing interest at 7%, repayable in blended monthly payments of $1,185, maturing March 2002, secured by an assignment of land and building.	$ 38,555	$ 49,649
Note receivable bearing interest at a variable rate calculated annually, repayable in blended monthly payments of $1,712, maturing June 2006. $75,000 of the principal amount has been guaranteed by a third party.	119,356	131,491
Note receivable bearing interest at 9%, repayable in blended monthly payments of $253, maturing April 2008.	18,820	
	$ 176,731	$ 181,140

4. Grants receivable

The grants from the Nova Scotia Department of Economic Development and Tourism and Atlantic Canada Opportunities Agency, were subsequently received in April and relate to projects completed before March 31, 1999.

5. Real estate and development projects

	Cost	Accumulated Depreciation	1999 Net Book Value	1998 Net Book Value
Facilities for public access	$ 6,411,084	$ 1,021,925	$ 5,389,159	$ 5,228,379
Real estate and development projects	26,733,009	3,706,508	23,026,501	16,782,892
	$ 33,144,093	$ 4,728,433	$ 28,415,660	$ 22,011,271

Included in the cost of real estate is a prepaid long-term lease from the Federal Department of Public Works for a term of 45 years from 1977, with three ten-year renewal options.

6. Credit facility

The bank indebtedness is a general operating line of credit to a maximum of $1,000,000 bearing interest at prime, less one percent. The loan is secured by a guarantee of the Province of Nova Scotia.

7. Loan payable

Demand loan bearing interest at approximately bank prime less one percent. The loan is secured by a guarantee of the Province of Nova Scotia.

8. Capital stock

	1999	1998
Authorized:		
5,000 shares without nominal or par value		
Issued:		
3 shares	$ 3	$ 3

The shares are held in trust by representatives of the Province for the Queen in Right of the Province of Nova Scotia.

9. General Development Fund

The Board of Directors has established a fund for future development and promotional projects. Expenditures from this fund will be at their discretion.

10. Commitments

(i) The Corporation has entered into a lease agreement for the water lot portion of Queen's Wharf. Minimum lease payments over the next five years, assuming renewal at similar terms, are as follows:

2000	$ 1,016
2001	1,016
2002	1,016
2003	1,016
2004	1,016

(ii) The Corporation has committed funds to a maximum of $80,000 to renovate public washrooms at the Halifax Ferry Terminal. In addition, the Corporation has committed $300,000 to refurbish a wharf for public access.

11. Contingency

The Corporation has received funding from a private company to develop a park for Bishop's Landing. If the development agreement is not executed, this funding will have to be repaid.

12. Change in non-cash operating working capital

	1999	1998
Receivables	$ (60,847)	$ 21,536
Operating grants receivable	(162,720)	
Prepaids	19,369	23,585
Payables and accruals	(44,915)	350,198
Deposits	220,000	(220,000)
Deferred pension cost	907	907
	$ (28,206)	$ 176,226

13. Financial instruments

The fair values of cash and receivables approximate their carrying amounts because of their short term to maturity. The fair value of loans receivable approximate their carrying amounts because of variable interest rates and an insignificant fluctuation in the interest rates for those with fixed rates.

The fair values of payables and accruals and note payable approximate their carrying amounts because of their short term to maturity and variable interest rate.

14. Employee pension plan

The Corporation is a participant in a multi-employer pension plan, the Nova Scotia Public Sector Superannuation Plan. The plan required the payment costs for past service benefits which are being amortized to earnings over the expected average remaining service life of the employee group.

The most recent actuarial valuation of this plan was completed as at December 31, 1996 and includes pension assets of $2,255,530,000, and pension liabilities of $2,105,620,000, resulting in a pension surplus of $149,910,000. This surplus has resulted in a pension holiday for its participants. The amount applicable to the Corporation is not determinable and should not be significant as its participation includes only three employees.

15. Uncertainty due to the Year 2000 issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date.

The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the entity, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.